



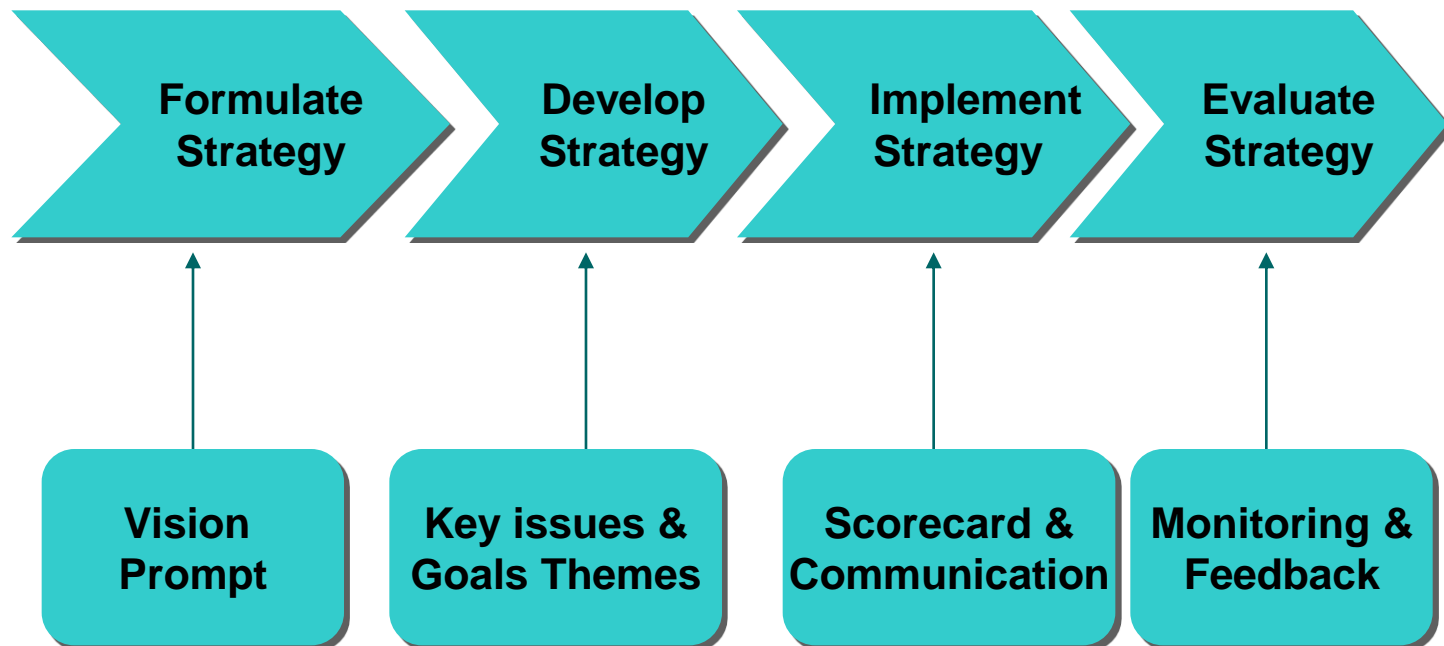
Capitalize on Staff Insight & Experience During Budget Challenges – Human Capital

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Comprehensive Approach to Budgeting

(1) Strategic planning	Steering wheel
(2) Human capital (HC)	Engine
(3) Goal setting	Dashboard gauges
(4) Total compensation support	Gas in the tank

(1) Strategic Planning





(2) Human Capital

- **Employees bring more to the workplace**
 - Basic knowledge, skills and abilities
 - Life experiences
 - Workplace insight that go beyond job duties, having implications for overall operation
- **Employee Factors**
 - Correctional facilities (budgeting tightening and resource reductions)
- **Communication channel through strategic approach**



(2) Goal Setting

- **Scorecard method**
 - Financial goals
 - Customer (or stakeholder) goals
 - Operational goals
 - Learning and growth goals
- **Goal Parameters**
 - Trickle down approach
 - Comparability of the pilot measure
- **Balanced Goal**
 - Outside-in goals
 - Inside-out goals



(4) Total Rewards

- **Compensation plus benefit**
 - Salary increase
- **Use total rewards to reinforce institutional goal**
 - Star performers public recognition
 - Token programs – gift certificates, time off
 - Development opportunities

More Discussion of Human Capital- Origin of Human Capital Concept

- Adam Smith defined four types of fixed capital
 - 1) useful machines, instruments of the trade;
 - 2) buildings as the means of procuring revenue;
 - 3) improvements of land and
 - 4) **human capital**

- **Human Capital**
 - The acquired and useful abilities of all the inhabitants or members
 - The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship
 - Always costs a real expense, which is a capital fixed and realized, as it were, in his person

- In short, Smith saw human capital as skills, dexterity (physical, intellectual, psychological, etc) and judgment.

Measurement of Human Capital

HR Programs	Possible Measurements
Training Programs	Productivity, sales, quality, time, costs, customer satisfaction, turnover, absenteeism, employee satisfaction.
Compensation Programs	Labor costs, turnover, absenteeism (pay for performance).
Modified Work Structures	Productivity, quality, customer (teams, project committees, etc.) satisfaction.
Recruiting Programs	Cost-per-hire, time-to-fill ratios, yield-# of candidates recruited (e.g., average ad draws 100 responses resulting in one good candidate; outstanding ad draws 350 responses and results in five to seven top-notch hires as a result).
Total Quality Management	Defects, rework, response time.
Employee Support Programs	Absenteeism, employee satisfaction, employee referrals, productivity.

3 Dimensions of the Metric of HC

○ Individual's Role

- The person's predominant, overarching style or approach

○ Flexibility

- Can your human capital do what is required or demanded in a relaxed and effective manner, even under stress?
- Are they too rigid and fixed on “one and only” way of approaching a work situation, regardless of the demands of the project?
- Are they so burdened with internal conflict that they seem to behave randomly most of the time?

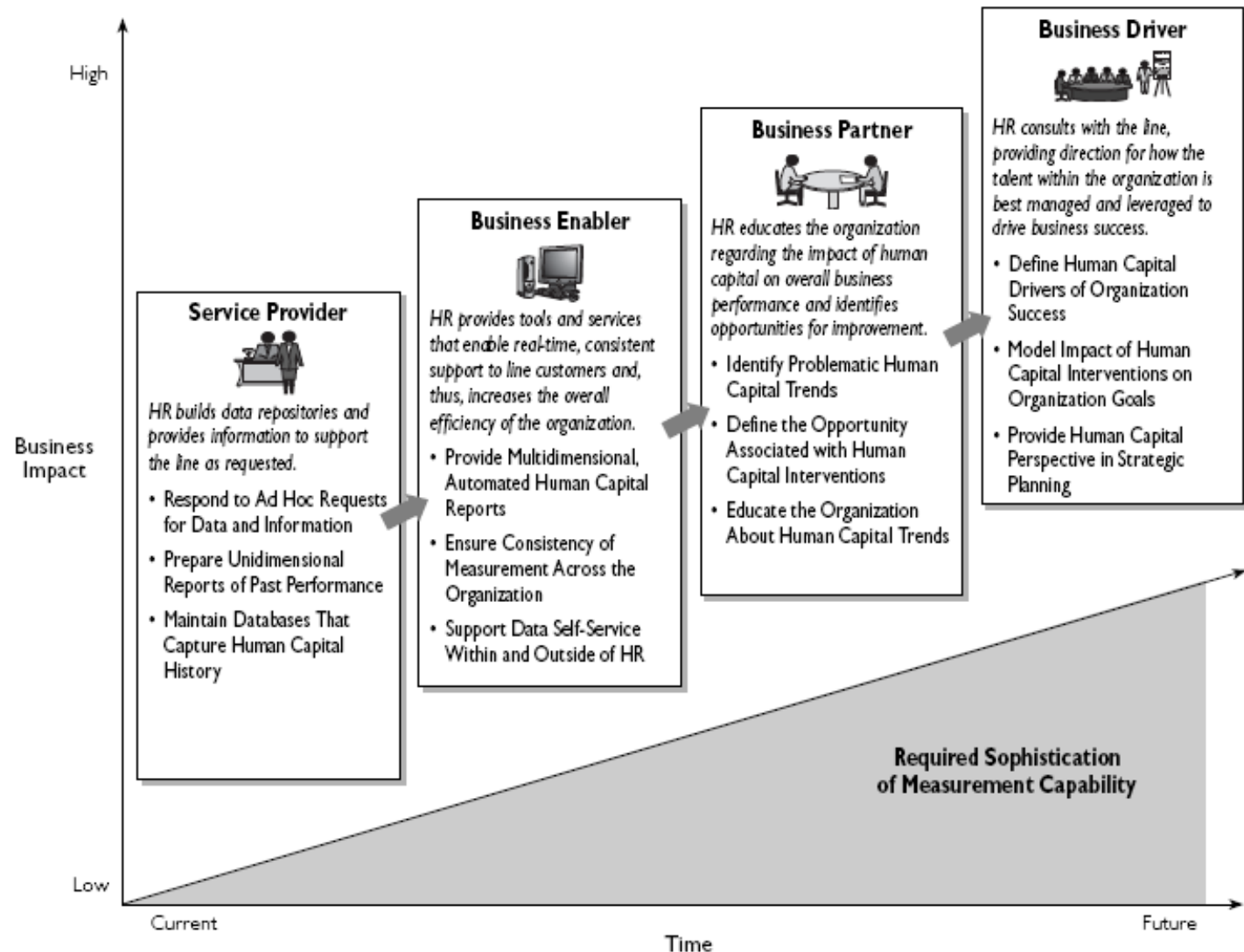
○ Level of Endorsement

- How empowered someone is by circumstances.
- Endorsement can be imposed externally, by necessity, to meet the demands of the organization.
- It can be internally driven, subjectively experienced as the “real me”—or it can feel like a mission.

Human Capital Decision Hierarchy



Supporting HR Evolution w/HC Data



Uses of Human Capital Measurement

Recurring Projects

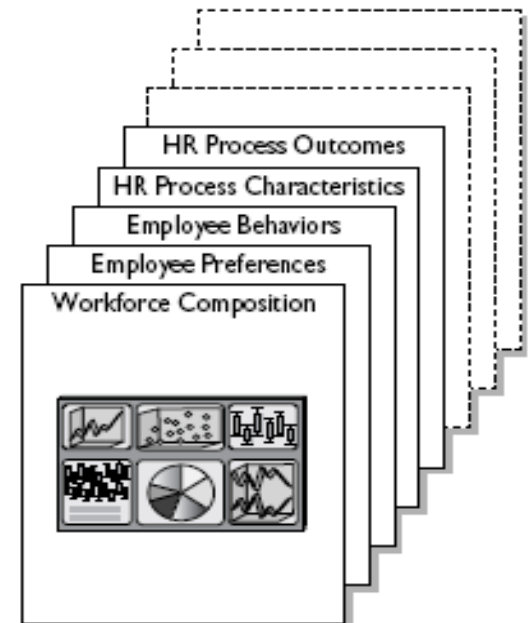
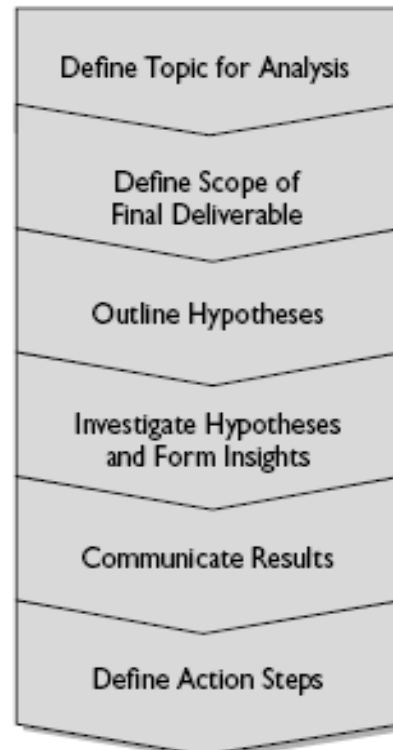
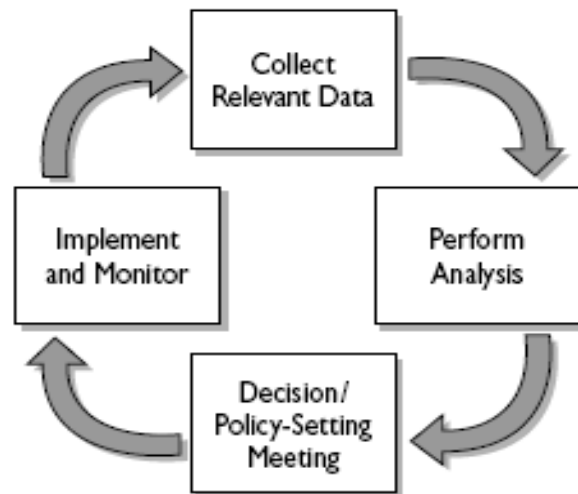
For projects or decisions that will recur on a regular basis, data can be incorporated into the decision-making process steps.

Ad Hoc Projects

For projects that do not recur on a regular basis, either large or small, an end-to-end analytic process can be employed.

Foundational Knowledge

Human capital measurement is also useful in developing foundational understanding of the workforce and of HR's impact, to better serve as strategic business partners to the line on an ongoing basis.



Appendix

- Adam Smith defined four types of fixed capital (which is characterized as that which affords a revenue or profit without circulating or changing masters). The four types were: 1) useful machines, instruments of the trade; 2) buildings as the means of procuring revenue; 3) improvements of land and 4) **human capital**.
- “Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit.”
- Therefore, human capital (as defined by Smith) and the productive power of labour are both dependent on the division of labour – *The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is any where directed, or applied, seem to have been the effects of the division of labour.* There is a complex relationship between the division of labour and human capital.
- In short, Smith saw human capital as skills, dexterity (physical, intellectual, psychological, etc) and judgment.

References

- Keeping Score: Virginia capitalizes on staff insight and experience during budget challenges, by Stephen Smith, Aug. 2004, Correction Today
- Wikipedia, origin of Human Capital
- HUMAN CAPITAL MEASUREMENT: PARTNERING WITH FINANCE AND LINE MANAGERS, By John Dooney, Manager, Strategic Research, June 2005
- APPROACHING A METRIC OF HUMAN CAPITAL SYNERGY, By Dr. Janice Presser
- Corporate Leadership Council®, The Metrics Standard, *Establishing Standards for 200 Core Human Capital Measures*



Quiz Questions Name:_____

- List two items (out of four) in comprehensive approach to budgeting
- Describe one measure and one application of Human Capital.
- List one total rewards approach that can help to achieve strategic goals